Michigan Deptartment of Treasury 496 (2-04)

	ting F			dures Repo	ort						
	mment Type			Village ☐Other	Local Governme	ent Name ROSWELL			County SANI	LAC	
Audit Date 6/30/05				Ooinion Date 10/19/05		Date Accountant 12/20/05	Report Submitte	ed to State:			
accordan	ce with th Statemen	e S	tateme	I statements of this ents of the Governments and Local Units	mental Accou	inting Standar	ds Board (0	SASB) and th	e Uniform l	Reporti	
1. We h	ave comp	lied	with th	e Bulletin for the Au	dits of Local U	Inits of Govern	ment in Mici	nigan as revise	ed.		
2. We a	re certified	i pul	olic acc	countants registered	I to practice in	Michigan.					
	er affirm th s and reco			. "Yes" responses ha	ave been disc	dosed in the fin	ancial state	ments, includir	ng the notes,	or in th	ne report of
You must	check the	арр	licable	box for each item b	elow.						
Yes	√ No	1.	Certa	in component units/	funds/agencie	es of the local u	ınit are exclu	ided from the	financial sta	tement	S.
Yes	✓ No	2.		e are accumulated of 1980).	deficits in one	or more of th	is unit's unr	eserved fund	balances/ret	ained e	earnings (P.A.
Yes	Yes Vo 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).										
Yes	Yes Vo 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.										
Yes	✓ No	5.		ocal unit holds dep nended [MCL 129.9					requirement	ts. (P.A	A. 20 of 1943,
Yes	✓ No	6.	The le	ocal unit has been d	telinquent in d	listributing tax r	revenues tha	t were collecte	ed for anothe	er taxin	ıg unit.
Yes	✓ No	7.	pensi	local unit has violat ion benefits (normal ts are more than the	I costs) in the	current year.	If the plan is	s more than 1	00% funded	and th	ne overfunding
Yes	✓ No	8.		local unit uses cred . 129.241).	dit cards and	has not adop	ted an appl	icable policy a	as required l	by P.A	. 266 of 1995
Yes	✓ No	9.	The I	ocal unit has not add	opted an inves	stment policy a	s required b	y P.A. 196 of '	1997 (MCL 1	29.95).	
We have	enclose	d the	follo	wing:				Enclosed	To Be Forward		Not Required
The lette	r of comm	ents	and r	ecommendations.				✓			
Reports	on individ	ual fo	ederal	financial assistance	programs (pr	ogram audits),					✓
Single A	udit Repo	ts (A	ASLGU	J).							✓
BERTI				me) ANY, CPAS					loui.	Tais	
Street Add	ress RROW L	ANI	E			S	y AGINAW		State MI	ZIP 4863	18
Accountan	t Signature	n	Mi	erha-E	onthe	64ggr	./		Date 12-3	30-	05

CITY OF CROSWELL

Sanilac County, Michigan

FINANCIAL STATEMENTS

June 30, 2005

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INDEPENDENT AUDITORS' REPORT

To the City Council City of Croswell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Croswell, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Croswell, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Croswell, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2005, on our consideration of the City of Croswell's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Croswell's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

October 19, 2005

Benkiaume & Co



STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government						
	vernmental Activities	Business-type Activities		Total		Component Units	
Assets:							
Cash and cash equivalents	\$ 919,551	\$ 2,513,550	\$	3,433,101	\$	915,839	
Investments	445,871	-		445,871		-	
Receivables	242,135	545,492		787,627		827	
Internal balances	(2,790)	2,790		-		-	
Prepaid items and other assets	29,848	34,598		64,446		-	
Inventory	-	269,363		269,363		-	
Restricted cash and cash equivalents Capital assets:	-	75,277		75,277		-	
Nondepreciable capital assets	140,539	165,055		305,594		119,091	
Depreciable capital assets, net	 3,177,002	7,355,623	1	10,532,625	_	460,374	
Total assets	 4,952,156	10,961,748	1	15,913,904		1,496,131	
Liabilities:							
Accounts payable and accrued expenses	100,959	273,712		374,671		197,855	
Long-term liabilities:							
Due within one year	20,000	16,000		36,000		63,020	
Due in more than one year	 187,621	1,262,104		1,449,725	_	200,235	
Total liabilities	 308,580	1,551,816		1,860,396		461,110	
Net assets:							
Invested in capital assets, net of related debt	3,297,541	6,454,678		9,752,219		316,210	
Restricted for:		77.077		75.077			
Debt service	-	75,277		75,277		-	
Streets	416,430	-		416,430		-	
Nonexpendable trust principal	653,404	2 970 977		653,404		710 011	
Unrestricted	 276,201	2,879,977		3,156,178	_	718,811	
Total net assets	\$ 4,643,576	\$ 9,409,932	\$ 1	14,053,508	\$	1,035,021	

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

						Program	Reve	nues		
Functions/Programs	Expenses		Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions			t (Expense) Revenue
PRIMARY GOVERNMENT:										
Governmental activities:										
General government	\$	461,129	\$	47,094	\$	-	\$	-	\$	(414,035)
Public safety		601,412		76,543		3,095		19,136		(502,638)
Public works		733,963		75,030		243,780		-		(415,153)
Health and welfare		17,569		-		-		-		(17,569)
Recreation and culture		214,121		8,204		56,903		-		(149,014)
Interest on long-term debt		7,003	_					-	_	(7,003)
Total governmental activities		2,035,197	_	206,871		303,778		19,136	_	(1,505,412)
Business-type activities:										
Ambulance		581,510		348,690		190		-		(232,630)
Electric		2,703,242		2,865,678		-		-		162,436
Sewer		753,952		513,725		-		-		(240,227)
Water		233,479	_	248,819					_	15,340
Total business-type activities	_	4,272,183		3,976,912		190	_			(295,081)
Total primary government	\$	6,307,380	\$	4,183,783	\$	303,968	\$	19,136	\$	(1,800,493)
COMPONENT UNITS:										
Downtown development authority	\$	27,251	\$	-	\$	-	\$	-	\$	(27,251)
Tax increment finance authority		103,250		29,450		-		-		(73,800)
Economic development corporation	_	5,045		900						(4,145)
Total component units	\$	135,546	\$	30,350	\$		\$	_	\$	(105,196)

	Pr	imary Governme	ent	
		Business-		
	Governmental	type		Component
	Activities	Activities	Total	Units
Changes in net assets:				
Net (Expense) Revenue	\$ (1,505,412)	\$ (295,081)	\$ (1,800,493)	\$ (105,196)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	528,265	-	528,265	-
Property taxes, levied for debt service	-	55,881	55,881	-
Property taxes, levied for local streets	60,706	-	60,706	-
Payment in lieu of property taxes	84,006	-	84,006	-
Property taxes captured			-	251,814
Franchise taxes	6,312	-	6,312	-
Grants and contributions not restricted to			-	
specific programs	309,318	-	309,318	-
Unrestricted investment earnings	31,847	100,209	132,056	3,773
Contributions to principal of permanent funds	3,480	-	3,480	-
Special item - Gain on sale of capital assets	15,019		15,019	-
Transfers	564,246	(564,246)		
Total gamenal maryamyas, contributions				
Total general revenues, contributions, special items and transfers	1,603,199	(408,156)	1,195,043	255,587
Change in net assets	97,787	(703,237)	(605,450)	150,391
Net assets, beginning of year	4,545,789	10,113,169	14,658,958	884,630
Net assets, end of year	\$ 4,643,576	\$ 9,409,932	\$ 14,053,508	\$ 1,035,021

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2005

		General Fund	Major Street Fund		Local Street Fund		Nonmajor Governmental Funds		Go	Total overnmental Funds
Assets:										
Cash and cash equivalents	\$	125,292	\$	184,727	\$	204,684	\$	300,061	\$	814,764
Investments		-		-		-		445,871		445,871
Taxes receivable		3,974		-		81		-		4,055
Accounts receivable		18,297		-		-		-		18,297
Due from other governmental units		99,412		24,160		47,564		27,230		198,366
Due from component unit		20,752		-		665		-		21,417
Due from other funds		9,210		_		-		120		9,330
Prepaid expenditures	_	20,344		3,617		3,617		670		28,248
Total assets	\$	297,281	\$	212,504	\$	256,611	\$	773,952	\$	1,540,348
Liabilities and Fund Balances:										
Accounts payable	\$	18,324	\$	19,910	\$	31,404	\$	2,727	\$	72,365
Accrued expenses	Ψ	9,957	Ψ	696	Ψ	675	Ψ	1,494	Ψ	12,822
Due to other governmental units		3,236		-		-		-		3,236
Due to other funds		120		_		_		12,000		12,120
Deposits payable		6,500						-		6,500
Total liabilities		38,137		20,606		32,079		16,221		107,043
Fund balances:										
Reserved for:										
Prepaid expenditures		20,344		3,617		3,617		670		28,248
Nonexpendable trust principal		-		-		-		653,404		653,404
Unreserved:										
Undesignated, reported in:										
General fund		238,800		_		-		-		238,800
Special revenue funds		-		188,281		220,915		103,657		512,853
Total fund balances		259,144		191,898		224,532		757,731		1,433,305
Total liabilities and fund balances	\$	297,281	\$	212,504	\$	256,611	\$	773,952	\$	1,540,348

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2005

Total fund balances	for	governmental funds	
---------------------	-----	--------------------	--

\$ 1,433,305

Total net assets reported for governmental activities in the statement of of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets 3,408,690
Less accumulated depreciation (1,048,103) 2,360,587

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:

Note payable (20,000) Compensated absences payable (173,368)

The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

1,043,052

Net assets of governmental activities

\$ 4,643,576

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 630,965	\$ -	\$ 60,706	\$ -	\$ 691,671
Licenses and permits	15,188	-	- -	_	15,188
Federal grants	-	-	29,750	-	29,750
State grants	331,549	149,367	59,663	5,251	545,830
Contributions from other units	50,673	-	5,000	51,652	107,325
Charges from services	107,746	-	-	4,796	112,542
Fines and forfeits	3,528	-	-	2,630	6,158
Interest and rents	4,069	1,077	1,078	28,923	35,147
Other revenue	9,919			4,258	14,177
Total revenues	1,153,637	150,444	156,197	97,510	1,557,788
Expenditures:					
Current:					
General government	459,817	-	-	-	459,817
Public safety	538,195	-	-	-	538,195
Public works	358,838	127,487	122,144	-	608,469
Health and welfare	17,269	-	-	-	17,269
Recreation and culture	33,895	-	-	156,732	190,627
Capital outlay	133,557	-	-	-	133,557
Debt service:					-
Principal	20,000	-	-	-	20,000
Interest and charges	6,265				6,265
Total expenditures	1,567,836	127,487	122,144	156,732	1,974,199
Excess (deficiency) of	(44.4.400)	22.055	24052	(50.000)	(44.5.444)
revenues over expenditures	(414,199)	22,957	34,053	(59,222)	(416,411)
Other financing sources (uses):					
Transfers in	584,246	-	-	107,418	691,664
Transfers out	(82,418)	-	-	(45,000)	(127,418)
Total other financing					
	501,828			62,418	564,246
sources (uses)	301,828			02,418	304,240
Net change in fund balances	87,629	22,957	34,053	3,196	147,835
Fund balances, beginning of year	171,515	168,941	190,479	754,535	1,285,470
Fund balances, end of year	\$ 259,144	\$ 191,898	\$ 224,532	\$ 757,731	\$ 1,433,305

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2005

Net change in fund balances - total governmental funds		\$ 147,835
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	133,557	
Less depreciation expense	(109,825)	23,732
Governmental funds report sale of capital assets as revenue. However, in the statement of activities, the cost of those assets is deducted against the proceeds.		(15,285)
Repayments of principal on notes and contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.		20,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable		(23,838)
The net revenue (expense) of the internal service fund is reported with governmental activities.		 (54,657)
Change in net assets of governmental activities		\$ 97,787

STATEMENT OF NET ASSETS

June 30, 2005

		Non-Major								Governmental		
		Major Enter	rpri	se Funds		Enterpri					Activities	
		Electric Fund		Sewer Fund		Water Fund	Am	bulance Fund		Total		Internal Service
Assets:												
Current assets:												
Cash and cash equivalents	\$	2,258,464	\$	13,720	\$	212,565	\$	28,801	\$	2,513,550	\$	104,787
Taxes receivable		-		81		-		-		81		-
Accounts receivable		264,975		71,821		64,202		76,597		477,595		-
Special assessments receivable		-		1,420		1,422		-		2,842		-
Due from other governmental units		-		-		-		50,099		50,099		-
Due from component unit		-		665		-		-		665		-
Due from other funds		12,000		-		-		-		12,000		-
Prepaid expenses		10,033		9,765		2,161		12,639		34,598		1,600
Inventory		269,363		-	_					269,363		
Total current assets	<u></u>	2,814,835		97,472		280,350		168,136		3,360,793		106,387
Noncurrent assets:												
Restricted cash and cash equivalents		-		75,277		-		-		75,277		-
Special assessments receivable		-		7,098		7,112		-		14,210		-
Capital assets:										_		
Nondepreciable capital assets		_		143,597		21,458		_		165,055		-
Depreciable capital assets, net		1,433,029		5,132,703		663,118		126,773		7,355,623		956,954
Advances receivable from other funds		596,298		-		-		-		596,298		-
Total noncurrent assets	_	2,029,327		5,358,675		691,688		126,773		8,206,463		956,954
Total assets		4,844,162		5,456,147		972,038		294,909		11,567,256		1,063,341
Liabilities												
Current liabilities:												
Accounts payable												
and accrued expenses		179,897		13,636		40,179		7,535		241,247		6,036
Due to other funds		-		5,725		-		3,485		9,210		-
Deposits payable		32,465		-		-		-		32,465		-
Current portion of long-term debt				16,000				-		16,000		-
Total current liabilities		212,362		35,361		40,179		11,020		298,922		6,036
Noncurrent liabilities:												
Advances payable to other funds		-		566,298		-		30,000		596,298		-
Compensated absences payable		149,845		17,595		-		44,664		212,104		14,253
Long-term debt		-		1,050,000		-		-		1,050,000		-
Total noncurrent liabilities		149,845		1,633,893		-		74,664		1,858,402		14,253
Total liabilities		362,207		1,669,254		40,179		85,684		2,157,324		20,289
Net assets:			_			<u> </u>	-					
Invested in capital assets,												
net of related debt		1,433,029		4,210,300		684,576		126,773		6,454,678		956,954
Restricted for:		1,733,047		7,210,300		004,570		120,113		0,757,070		750,754
Debt service		_		75,277		_		_		75,277		_
Unrestricted		3,048,926		(498,684)		247,283		82,452		2,879,977		86,098
Total net assets	<u>-</u>	4,481,955	\$	3,786,893	\$	931,859	\$	209,225	\$	9,409,932	\$	1,043,052
1 out not assets	Ψ	1, 101,733	Ψ	3,700,073	Ψ	751,057	Ψ	207,223	Ψ	2,102,232	Ψ	1,013,032

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2005

	Major Enterprise Funds					Non- Enterpr	•				Governmental Activities		
		Electric Fund		Sewer Fund		Water Fund	Ambulance Fund		Total		Internal Service Fund		
Operating revenues:													
Charges for services	\$	2,806,299	\$	507,717	\$	246,560	\$	347,834	\$	3,908,410	\$	242,187	
Penalties		6,317		2,408		959		-		9,684		-	
Other		53,062		3,600	_	1,300	_	856	_	58,818		7,394	
Total operating revenues		2,865,678		513,725	_	248,819		348,690		3,976,912		249,581	
Operating expenses:													
Personnel		331,604		195,485		53,043		352,330		932,462		62,369	
Fringe benefits		133,971		113,032		39,854		152,474		439,331		27,428	
Supplies		158,940		30,790		33,499		20,071		243,300		73,936	
Property tax equivalents		61,300		12,520		4,281		5,630		83,731		-	
Contracted services		24,670		35,435		24,097		2,875		87,077		9,664	
Purchase of power		1,767,841		-		-		-		1,767,841		-	
Telephone		1,942		4,038		386		1,584		7,950		1,290	
Mileage		1,042		452		141		401		2,036		-	
Dues and membership fees		5,150		2,043		1,273		175		8,641		-	
Education and training		1,080		525		350		1,475		3,430		-	
Printing and publishing		182		228		904		480		1,794		1,183	
Insurance		14,507		6,166		3,204		3,497		27,374		18,750	
Utilities		10,713		50,753		32,038		4,885		98,389		-	
Repair and maintenance		1,386		17,502		196		11,290		30,374		27,855	
Equipment rental		48,716		23,289		10,216		595		82,816		1,007	
Other services and supplies Depreciation		1,880 138,318		424 197,581		- 29,997		75 23,673		2,379 389,569		106,253	
Total operating expenses		2,703,242	_	690,263	_	233,479	_	581,510	_	4,208,494		329,735	
Operating income (loss)		162,436	_	(176,538)	_	15,340	_	(232,820)		(231,582)		(80,154)	
Non-operating revenues													
(expenses):													
Property taxes		-		55,881		_		-		55,881			
Interest income		98,746		662		739		62		100,209		431	
Contributions		-		-		_		190		190		-	
Sale of fixed assets		_		_		_		-		-		25,804	
Interest expense			_	(63,689)	_			-		(63,689)		(738)	
Total non-operating				-						_			
revenues (expenses)		98,746		(7,146)	_	739	_	252	_	92,591		25,497	

continued

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, CONTINUED

Year Ended June 30, 2005

	Major Enterp	rise Funds	Non-n Enterpris	•	Governmental Activities		
	Electric Fund	Sewer Fund	Water Fund	Ambulance Fund	Total	Internal Service Fund	
Net income (loss) before operating transfers	261,182	(183,684)	16,079	(232,568)	(138,991)	(54,657)	
Operating transfers: Transfer from other funds Transfer to other funds	(934,246)	- -	240,000	130,000	370,000 (934,246)	<u>-</u> _	
Total operating transfers	(934,246)		240,000	130,000	(564,246)		
Net income (loss)	(673,064)	(183,684)	256,079	(102,568)	(703,237)	(54,657)	
Net assets, beginning of year	5,155,019	3,970,577	675,780	311,793	10,113,169	1,097,709	
Net assets, end of year	\$ 4,481,955	\$ 3,786,893	\$ 931,859	\$ 209,225	\$ 9,409,932	\$ 1,043,052	

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Major Enter	rpris	se Funds	Non-N Enterpri			Governmental Activities				
	Electric Fund		Sewer Fund	_	Water Fund	Ambulance Fund		Total		_	Internal Service
Cash flows from operating activities:											
Cash received from customers	\$ 2,857,873	\$	501,368	\$	213,043	\$	366,376	\$	3,938,660	\$	79,774
Cash received from interfund services	- (222 270)		- (105 202)		- (52.042)		-		- (004 426)		222,187
Cash payments to employees Cash payments to suppliers for	(322,378)		(195,282)		(53,043)		(323,723)		(894,426)		(61,778)
goods and services	(2,236,296)		(303,554)		(132,263)		(209,940)	_	(2,882,053)	_	(160,662)
Net cash provided (used) by operating activities	299,199		2,532		27,737		(167,287)		162,181	_	79,521
Cash flows from non-capital											
financing activities:											
Advance from (to) other funds	(76,656)		46,656		-		30,000		-		-
Contributions Operating transfers in	-		-		240,000		190 130,000		190 370,000		-
Operating transfers out	(934,246)		<u>-</u>					_	(934,246)	_	<u>-</u>
Net cash provided (used) by											
non-capital financing activities	(1,010,902)	_	46,656		240,000	_	160,190	_	(564,056)	_	<u>-</u>
Cash flows from capital and related											
financing activities:											
Acquisition and construction of	(6.012)		(10.065)		(222 590)				(259 557)		(92.012)
capital assets Principal payments	(6,912)		(19,065) (15,000)		(232,580)		-		(258,557) (15,000)		(82,013) (18,832)
Interest paid	_		(63,689)		_		_		(63,689)		(738)
Property tax collections	_		55,881		_		_		55,881		-
Gain on sale of assets				_			<u>-</u>	_		_	25,804
Net cash provided (used) by capital and related											
financing activities	(6,912)		(41,873)	_	(232,580)	_		_	(281,365)	_	(75,779)
Cash flows from investing activities: Interest received	98,746		662		739		62	_	100,209		431
Net cash provided (used) by investing activities	98,746		662	_	739	_	62		100,209	_	431

continued

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2005

		Major Ente	rpri	se Funds	Non-m Enterprise			-				vernmental Activities
	_	Electric Fund		Sewer Fund	_	Water Fund	A	mbulance Fund		Total	_	Internal Service
Net increase (decrease) in cash												
and cash equivalents		(619,869)		7,977		35,896		(7,035)		(583,031)		4,173
Cash and cash equivalents, beginning of year		2,878,333		81,020	_	176,669		35,836	_	3,171,858	_	100,614
Cash and cash equivalents, end of year	\$	2,258,464	\$	88,997	\$	212,565	\$	28,801	\$	2,588,827	\$	104,787
Reconciliation of operating income (loss) to net cash from operating activities:												
Operating income (loss)	\$	162,436	\$	(176,538)	\$	15,340	\$	(232,820)	\$	(231,582)	\$	(80,153)
Adjustments: Depreciation		138,318		197,581		29,997		23,673		389,569		106,252
Decrease (increase) in current												
assets:												
Taxes receivable		-		(81)		_		-		(81)		-
Accounts receivable		(9,805)		(12,440)		(36,774)		52,622		(6,397)		-
Special assessments receivable		-		829		998		-		1,827		-
Due from other governmental units		-		-		_		(34,936)		(34,936)		-
Due from component unit		-		(665)		-		-		(665)		-
Due from other funds		2,000		-		-		-		2,000		-
Inventory		2,195		-		_		-		2,195		52,380
Prepaid expenses		(1,424)		(1,836)		507		970		(1,783)		21
Increase (decrease) in current												
liabilities:												
Accounts payable												
and accrued expenses		46,153		(4,521)		17,669		(5,403)		53,898		430
Due to other funds		(52,380)		-		-				(52,380)		
Deposits payable		2,480		-						2,480		
Deferred revenue Compensated absences payable	_	9,226	_	203		<u>-</u>		28,607	_	38,036	_	- 591
Net cash provided (used) by	Φ.	200 100	¢	0.500	¢.	27.727	¢.	(1.67.205)	Ф	1.00 101	Φ.	70.531
operating activities	\$	299,199	\$	2,532	\$	27,737	\$	(167,287)	\$	162,181	\$	79,521

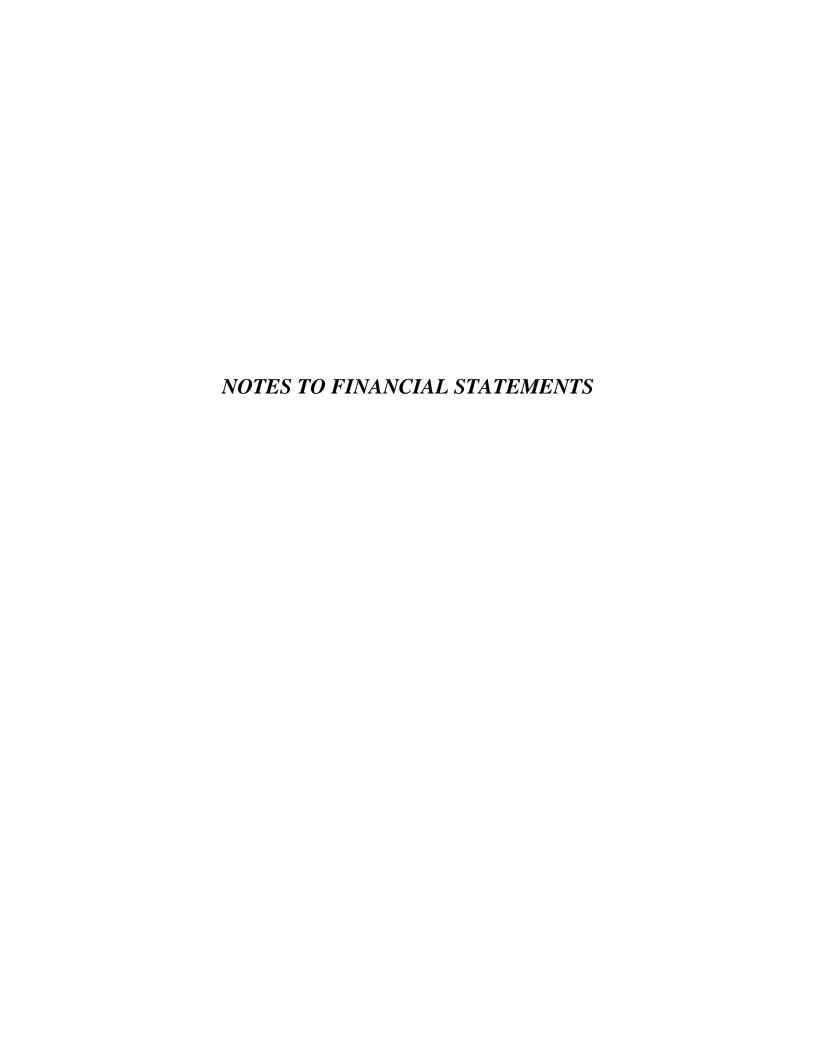
The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2005

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 1,079
Total assets	1,079
Liabilities:	4.050
Due to other governmental units	1,079
Total liabilities	1,079
Net Assets:	
Unrestricted	<u>\$ - </u>



NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Croswell, Sanilac County, Michigan, was incorporated in 1847 under provisions of the Home Rule Act of the State of Michigan. The City operates under a council form of government and provides the following services: public safety, highways and streets, sanitation, community service, and general administrative services to approximately 2,500 residents.

The accounting policies of the City of Croswell conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Units - The component units columns in the combined financial statements include the financial data of the City's three component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

Tax Increment Financing Authority - The members of the governing board of the Tax Increment Financing Authority are appointed by the City Council.

Economic Development Corporation - The members of the governing board of the Economic Development Corporation are appointed by the City Council.

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

June 30, 2005

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

June 30, 2005

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to accounted for in another fund.

Major Street Fund – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

Local Street Fund – The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

The City reports the following major enterprise funds:

Electric Fund – The Electric Fund is used to account for the revenues and expenses for the operation of an electric system.

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Taxes – Property taxes attach as an enforceable lien on property as of December 31. The related property taxes are billed on the following July 1, are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls.

The 2004 ad valorem taxable valuation of the City totaled \$39,310,143 and the industrial facilities taxable valuation of the City totaled \$3,481,869, on which taxes levied consisted of 14.7998 mills for the City's operating purposes, 1.7500 mills for local streets, and 1.7500 for sewer debt.

The delinquent real property taxes of the City are purchased by Sanilac County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both government-wide and fund financial statements.

June 30, 2005

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements 39-55 years
Vehicles 5-15 years
Machinery and other equipment 5-55 years

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused sick and vacation days. Under the City's policy, employees earn benefits based on time of service with the City. The maximum accumulated payout at termination of unused sick hours is 960 and the maximum accumulated payout at termination of unused vacation hours is 240. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

June 30, 2005

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. A proposed operating budget by fund is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to July 1, the budget is legally enacted by adoption of the City Council.
- 4. Any revision that alters the total expenditures of any fund must be approved by the City.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures that were materially in excess of the amounts budgeted.

State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2004	\$ -
Current year building permit revenue	8,876
Related expenses:	
Direct costs 20,107	
Estimated indirect costs	
Total construction code expenses	 20,107
Cumulative surplus at June 30, 2005	\$

In accordance with the act, no reservation of fund balance in the General Fund is required to be reserved for future construction code activities.

June 30, 2005

NOTE 3: DEPOSITS AND INVESTMENTS

The City's deposits and investments at June 30, 2005 are included in the statement of net assets under the following categories:

	overnmental <u>Activities</u>	В	usiness-type <u>Activities</u>		otal Primary Sovernment	C	omponent <u>Units</u>
Cash and cash equivalents	\$ 919,552	\$	2,513,549	\$	3,433,101	\$	915,839
Investments Pastricted each and each agriculants	445,871		- 75 277		445,871		-
Restricted cash and cash equivalents	 - 100	_	75,277	φ.	75,277	Φ.	
	\$ 1,365,423	\$	2,588,826	\$	3,954,249	\$	915,839

Deposits:

The breakdown between deposits and investments for the City is as follows:

	Primary overnment	Component <u>Units</u>		
Bank deposits (checking accounts, savings accounts, money markets, and certificates of deposit) Investments in securities, mutual funds, and	\$ 3,507,618	\$	915,839	
similar vehicles	445,871		-	
Petty cash and cash on hand	 760			
Total	\$ 3,954,249	\$	915,839	

The deposits of the primary government and component unit were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$5,090,413, of which \$390,448 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

Investments:

State statutes authorize the City to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a City.

June 30, 2005

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the City or its agent in the City's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

			Reported	
	1	2	3	Amount (Fair Value)
Primary government: U.S. government securities	\$ -	\$ 433,026	\$ -	\$ 433,026
Uncategorized as to risk: Mutual funds				12,845
Total investments				\$ 445,871

NOTE 4: BOND RESERVES AND RESTRICTED ASSETS

The ordinance authorizing issuance of the 1991 Sewer Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Receiving Account - All receipts are initially deposited into this account.

Operation and Maintenance Account - Quarterly transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due.

Bond Reserve Account - Excess funds of up to \$6,252 per year are to be transferred to this account until \$62,500 is accumulated.

At June 30, 2005, the City had established these accounts and had restricted cash as follows:

 Requirements						Amount Funded		
 July 1,				June 30,	Restricted Cash and			
<u>2004</u>	Add	Additions 2005		<u>2005</u>	Cash Equivalents			
\$ 62,500	\$	-	\$	62,500	\$	62,500		
 15,880		78		15,958		12,777		
\$ 78,380	\$	78	\$	78,458	\$	75,277		
	July 1, 2004 \$ 62,500 15,880	July 1, 2004 Add \$ 62,500 \$ 15,880	July 1, 2004 Additions \$ 62,500 \$ - 15,880 78	2004 Additions \$ 62,500 \$ - \$ 15,880 78	July 1, June 30, 2004 Additions \$ 62,500 \$ - \$ 15,880 78 \$ 15,958	July 1, June 30, Restriction 2004 Additions 2005 Cash \$ 62,500 \$ - \$ 62,500 \$ 15,880 78 15,958		

June 30, 2005

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Nondepreciable capital assets				
Land	\$ 135,539	\$ 5,000	\$ -	\$ 140,539
Depreciable capital assets				
Land improvements	79,421	7,500	-	86,921
Buildings and improvements	2,568,237	68,400	-	2,636,637
Vehicles	1,136,048	47,552	66,848	1,116,752
Machinery and other equipment	1,323,470	100,350	40,772	1,383,048
Total depreciable capital assets	5,107,176	223,802	107,620	5,223,358
Accumulated depreciation	1,909,381	216,078	79,104	2,046,355
Depreciable assets, net	3,197,795	7,724	28,516	3,177,003
Governmental activities, capital assets, net	3,333,334	12,724	28,516	3,317,542
Business-type Activities Ambulance capital assets Depreciable capital assets				
Buildings and improvements	73,860	_	_	73,860
Vehicles	125,488	_	_	125,488
Machinery and other equipment	113,405			113,405
Total depreciable capital assets	312,753	-	-	312,753
Accumulated depreciation	162,307	23,673		185,980
Ambulance capital assets, net	150,446	(23,673)		126,773
Electric capital assets Depreciable capital assets				
Buildings and improvements	528,265	-	-	528,265
Machinery and other equipment	1,508,742	6,912	-	1,515,654
Distribution system	2,094,481			2,094,481
Total depreciable capital assets	4,131,488	6,912	-	4,138,400
Accumulated depreciation	2,567,053	138,318		2,705,371
Electric capital assets, net	1,564,435	(131,406)		1,433,029

June 30, 2005

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities, continued				
Sewer capital assets				
Nondepreciable capital assets				
Land	143,597			143,597
Depreciable capital assets				
Buildings and improvements	2,086,152	-	-	2,086,152
Machinery and other equipment	939,231	19,065	-	958,296
Distribution system	5,318,870			5,318,870
Total depreciable capital assets	8,344,253	19,065	-	8,363,318
Accumulated depreciation	3,033,034	197,581		3,230,615
Depreciable assets, net	5,311,219	(178,516)		5,132,703
Sewer capital assets, net	5,454,816	(178,516)		5,276,300
Water capital assets				
Nondepreciable capital assets				
Land	21,458			21,458
Depreciable capital assets				
Buildings and improvements	153,884	-	-	153,884
Machinery and other equipment	186,710	-	-	186,710
Distribution system	817,006	232,580		1,049,586
Total capital assets being depreciated	1,157,600	232,580	-	1,390,180
Accumulated depreciation	697,065	29,997		727,062
Depreciable assets, net	460,535	202,583		663,118
Water capital assets, net	481,993	202,583		684,576
Business-type activities capital assets, net	7,651,690	(131,012)		7,520,678
Primary government capital assets, net	\$ 10,985,024	\$ (118,288)	\$ 28,516	\$ 10,838,220

June 30, 2005

	Beginning Balance		A	dditions	Disposals		Ending Balance	
Component Units:								
Land	\$	119,091	\$	-	\$	-	\$	119,091
Capital assets being depreciated:								
Buildings and improvements		428,056		-		-		428,056
Machinery and other equipment		37,084		8,171				45,255
Total capital assets being depreciated		465,140		8,171		-		473,311
Accumulated depreciation		2,977	_	9,960				12,937
Net capital assets being depreciated		462,163		(1,789)		-		460,374
Net component units capital assets	\$	581,254	\$	(1,789)	\$	-	\$	579,465

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General government	\$	9,951
	Ψ	,
Public safety		55,943
Public works		119,475
Health and welfare		300
Recreation and culture		30,409
Total governmental activities	\$	216,078
Business-type Activities:		
Ambulance	\$	23,673
Electric		138,318
Sewer		197,581
Water		29,997
Total business-type activities	\$	389,569
Component Units:		
Downtown Development Authority	\$	4,253
Tax Incremnt Finance Authority		5,707
Total component units	\$	9,960

NOTE 6: LONG-TERM DEBT

The City issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

June 30, 2005

Long-term obligation activity can be summarized as follows:

	Interest	Original	Principal								Due
	Rate	Issue	Maturity	Be	Beginning		dditions		Ending	,	Within
	Ranges	Amount	Ranges	Balance		(Re	eductions)	Balance		One Year	
Governmental Activities:											
2001 Note Payable - Fire Truck											
Maturing through November 2006	5.10%	\$100,000	\$20,000	\$	40,000	\$	(20,000)	\$	20,000	\$	20,000
2001 Note Payable - Vactor Machine	. =		40.000		10.000		(40.000)				
Maturing through February 2005	6.75%	53,000	18,832		18,832		(18,832)		-		-
Compensated absences					163,192		24,429	_	187,621		
Total governmental activities					222,024		(14,403)		207,621		20,000
Business-type Activities											
Revenue bonds - 1991 Sewage											
Disposal System											
Maturing through May 2032	5.75%	950,000	12,000-63,000		896,000		(12,000)		884,000		13,000
Revenue bonds - 1994 Sewage											
Disposal System	5 000/	050,000	2 000 10 000		105 000		(2,000)		192 000		2 000
Maturing through May 2032	5.00%	950,000	3,000-10,000		185,000		(3,000)		182,000		3,000
Compensated absences					174,068		38,036	_	212,104	_	
Total business-type activities				_1,	255,068		23,036		1,278,104		16,000
Total primary government				\$ 1,	477,092	\$	8,633	\$	1,485,725	\$	36,000
Component Units:											
Promissory Note - Building											
Maturing through June 2009	2.86%	324,500	61,245-68,661		324,500		(61,245)	_	263,255	_	63,020
Total component units				\$	324,500	\$	(61,245)	\$	263,255	\$	63,020

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended	Governmental Activities						Business-type Activities							
June 30,	P	rincipal		Interest	_	Total	Principal		_	Interest	_	Total		
2006	\$	20,000	\$	1,044	\$	21,044	\$	16,000	\$	59,556	\$	75,556		
2007		-		-		-		16,000		58,659		74,659		
2008		-		-		-		17,000		57,733		74,733		
2009		-		-		-		18,000		56,749		74,749		
2010		-		-		-		20,000		55,708		75,708		
2011-2015		-		-		-		127,000		258,862		385,862		
2016-2020		-		-		-		169,000		217,528		386,528		
2021-2025		-		-		-		225,000		162,475		387,475		
2026-2030		-		-		-		296,000		88,741		384,741		
2031-2034							_	162,000	_	13,158	_	175,158		
	\$	20,000	\$	1,044	\$	21,044	\$	1,066,000	\$	1,029,169	\$	2,095,169		

June 30, 2005

Year Ended		Total Primary Government						Component Units							
June 30,	une 30, Principal Interest		_	Total Principal		_	Interest	Total							
2006	\$	36,000	\$	60,600	\$	96,600	\$	63,020	\$	7,630	\$	70,650			
2007		16,000		58,659		74,659		64,847		5,804		70,651			
2008		17,000		57,733		74,733		66,727		3,924		70,651			
2009		18,000		56,749		74,749		68,661		1,990		70,651			
2010		20,000		55,708		75,708		-		-		-			
2011-2015		127,000		258,862		385,862		-		-		-			
2016-2020		169,000		217,528		386,528		-		-		-			
2021-2025		225,000		162,475		387,475		-		-		-			
2026-2030		296,000		88,741		384,741		-		-		-			
2031-2034		162,000	_	13,158		175,158									
	\$	1,086,000	\$	1,030,213	\$	2,116,213	\$	263,255	\$	19,348	\$	282,603			

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

		Primary Government					
		vernmental Activities		siness-type Activities	C	omponent Units	
Receivables:							
Taxes	\$	4,055	\$	81	\$	827	
Special assessments							
Due within one year		-		2,842		-	
Due in more than one year		-		14,210		-	
Accounts		18,297		477,595		-	
Intergovernmental		219,783		50,764			
Total receivables	<u>\$</u>	242,135	\$	545,492	\$	827	
Accounts payable and accrued expenses:							
Accounts	\$	77,912	\$	218,438	\$	2,010	
Payroll and related liabilities		13,311		12,820		-	
Interest		-		9,989		-	
Intergovernmental		3,236		-		195,845	
Deposits payable		6,500	_	32,465	_		
Total accounts payable and accrued expenses	\$	100,959	\$	273,712	\$	197,855	

June 30, 2005

NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2005 is as follows:

		Due from/Advance from										
	General Fund		I	Library Ambulance			Sewer	Electric			Total	
Due to:												
General Fund	\$	-	\$	-	\$	3,485	\$	5,725	\$	-	\$	9,210
Nonmajor Governmental												
Cemetery Perpetual Care		120		-		-		-		-		120
Electric				12,000					_			12,000
		120		12,000		3,485		5,725		-		21,330
Advance to:												
Electric							_	566,298		30,000		596,298
	\$	120	\$	12,000	\$	3,485	\$	572,023	\$	30,000	\$	617,628

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year; however, the advance receivable and payable between the sewer fund and electric fund is classified as a noncurrent liability in the government-wide and fund financial statements. Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

	General Fund		Cemetery Perpetual Care			Library Trust	Electric	Total		
Transfer to:										
General Fund	\$	-	\$	20,000	\$	-	\$ 564,246	\$	584,246	
Nonmajor Governmental:										
Library		82,418		-		25,000	-		107,418	
Ambulance		-		-		-	130,000		130,000	
Water	_	-			_	-	240,000		240,000	
	\$	82,418	\$	20,000	\$	25,000	\$ 934,246	\$	1,061,664	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

June 30, 2005

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits and participates in the Michigan Municipal League risk pool program for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy – The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2005 the rate was 13.61% for general employees and 14.06% for police/fire employees. The contributions requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Costs – For the fiscal year ended June 30, 2005, the City's annual pension cost of \$217,888 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

June 30, 2005

Three year trend information as of June 30, 2005 follows:

Fiscal year ended June 30,	2005	_	2004	 2003			
Annual pension cost \$ Percentage of APC contributed	217,888 100%		142,407 100%	\$ 146,187 100%			
Net pension obligation	-		-	-			

Post Employment Benefits:

The City has a policy, in accordance with a union agreement, of paying health insurance for certain retired employees. Health insurance payments for a qualifying retired employee are paid from the time of retirement until the employee reaches the age of 65 or qualifies for Medicare benefits.

During the year ended June 30, 2005 there was one retired employee receiving this benefit. The City's cost of this benefit for the year was \$2,388. The City is using a pay-as-you-go method of funding this benefit program.

Deferred Compensation Plan:

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by ICMA Retirement Corporation. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

In the 1999 fiscal year, the City adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The City has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

NOTE 11: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

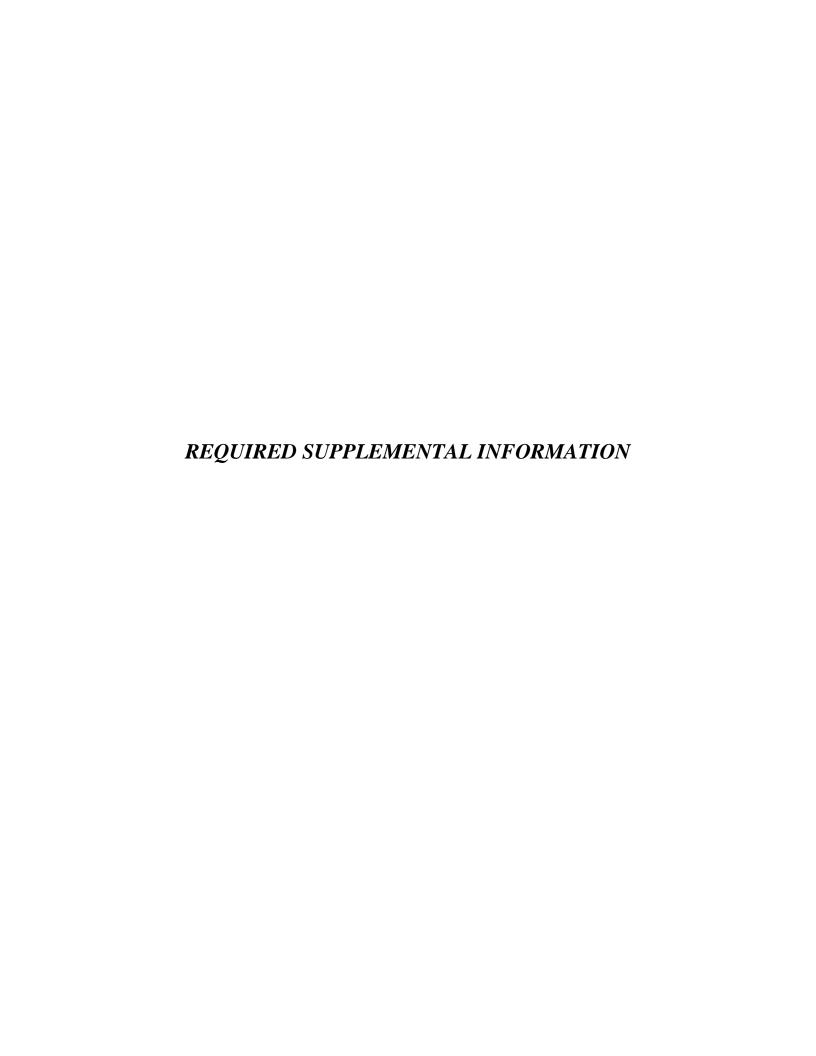
Reserved for nonexpendable principal – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for certain trusts.

June 30, 2005

NOTE 12: COMPONENT UNITS REPORTING

A condensed statement of net assets and activities, for the year ended June 30, 2005, for each of the discretely presented component units is shown below.

STATEMENT OF NET ASSETS:	De	Downtown Tax Increment Development Financing Authority Authority			Economic Development Corporation			Total Component <u>Units</u>	
Assets:									
Cash and cash equivalents	\$	40,514	\$	772,954	\$	102,371	\$	915,839	
Receivables		827	·	-		-	·	827	
Capital assets, net		60,921		484,323		34,221		579,465	
Total assets		102,262		1,257,277		136,592		1,496,131	
Liabilities:									
Accounts payable		2,010		-		-		2,010	
Due to other governmental units		-		195,845		-		195,845	
Long-term liabilities:									
Due within one year		-		63,020		-		63,020	
Due in more than one year			_	200,235	_	-	_	200,235	
Total liabilities	_	2,010		459,100			_	461,110	
Net assets:									
Invested in capital assets, net of related debt		60,921		484,323		34,221		579,465	
Unrestricted		39,331	_	313,854		102,371	_	455,556	
Total net assets	\$	100,252	\$	798,177	\$	136,592	\$	1,035,021	
STATEMENT OF ACTIVITIES:									
Expenses	\$	27,251	\$	103,250	\$	5,045	\$	135,546	
Program revenues: Charges for services		-		29,450		900		32,850	
Total governmental activities		(27,251)		(73,800)		(4,145)	_	(105,196)	
General revenues:									
Property taxes, levied for general purpose		40,343		211,471		-		251,814	
Unrestricted investment earnings Transfers		107		3,039 2,250		627 (2,250)		3,773	
Total general revenues		40,450		216,760		(1,623)		255,587	
Change in net assets		13,199		142,960		(5,768)	_	150,391	
Net assets, beginning of year		87,053		655,217		142,360	_	884,630	
Net assets, end of year	\$	100,252	\$	798,177	\$	136,592	\$	1,035,021	



SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Actuarial Valuation Date	12/31/2004	12/31/2003	12/31/2002	
Actuarial Value of Assets	\$ 3,686,737	\$ 3,417,400	\$ 3,166,121	
Actuarial Accrued Liability (AAL)	5,643,294	4,844,404	4,389,082	
Unfunded AAL (UAAL)	1,956,557	1,427,004	1,222,961	
Funded Ratio	65%	71%	72%	
Covered Payroll	1,498,974	1,416,962	1,284,553	
UAAL as a percentage of covered payroll	131%	101%	95%	

BUDGETARY COMPARISON SCHEDULE

								Actual
		Budgeted Amounts					Ov	er (Under)
	(Original Final			Actual	Fir	nal Budget	
Revenues:								
Property taxes	\$	554,880	\$	626,206	\$	630,965	\$	4,759
Licenses and permits		15,031		15,136		15,188		52
State grants		319,222		336,426		331,549		(4,877)
Contributions from other units		84,675		50,675		50,673		(2)
Charges from services		102,860		108,159		107,746		(413)
Fines and forfeits		1,200		3,568		3,528		(40)
Interest and rents		7,725		3,931		4,069		138
Other revenue		80,296	_	16,625	_	9,919		(6,706)
Total revenues		1,165,889		1,160,726		1,153,637		(7,089)
Expenditures:								
General government		470,308		478,395		459,817		(18,578)
Public safety		575,048		572,128		538,195		(33,933)
Public works		419,077		385,213		358,838		(26,375)
Health and welfare		10,485		17,269		17,269		-
Recreation and culture		54,910		40,154		33,895		(6,259)
Capital outlay		140,296		151,207		133,557		(17,650)
Debt service:								
Principal		30,000		20,000		20,000		-
Interest and charges		7,397		6,266	_	6,265		(1)
Total expenditures		1,707,521		1,670,632	_	1,567,836		(102,796)
Excess (deficiency) of								
revenues over expenditures		(541,632)	_	(509,906)	_	(414,199)		95,707
Other financing sources (uses):								
Transfers in		627,250		639,381		639,381		-
Transfers out		(85,618)		(85,899)		(82,418)		3,481
Total other financing sources (uses)		541,632		553,482	_	556,963		3,481
Net change in fund balance		-		43,576		142,764		99,188
Fund balance, beginning of year		171,515		171,515		171,515		
Fund balance, end of year	\$	171,515	\$	215,091	\$	314,279	\$	99,188

SPECIAL REVENUE FUND – MAJOR STREET FUND

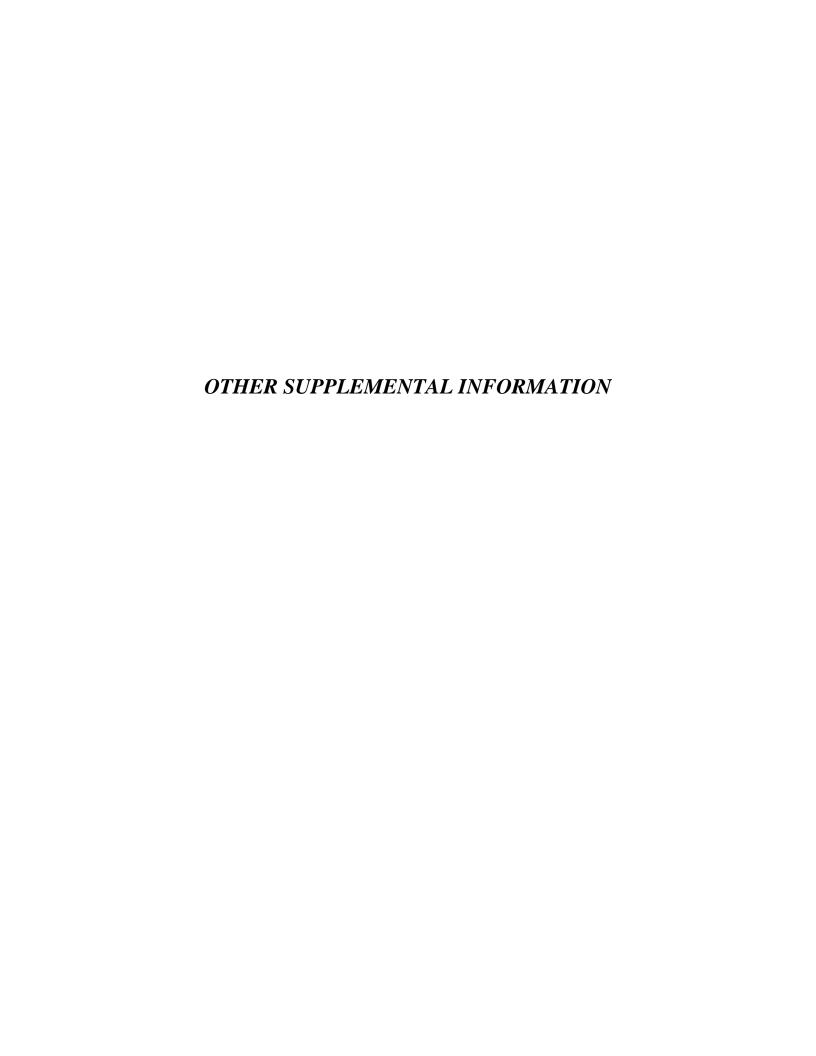
BUDGETARY COMPARISON SCHEDULE

				Actual	
	Budget	ed Amounts		Over (Under)	
	Original	Original Final		Final Budget	
Revenues:					
State grants	\$ 152,500	0 \$ 152,500	\$ 149,367	\$ (3,133)	
Interest and rents	800	0 800	1,077	277	
Total revenues	153,300	153,300	150,444	(2,856)	
Expenditures:					
Public works	156,883	5 161,361	127,487	(33,874)	
Total expenditures	156,885	5 161,361	127,487	(33,874)	
Net change in fund balance	(3,585	(8,061)	22,957	31,018	
Fund balance, beginning of year	168,94	1 168,941	168,941		
Fund balance, end of year	\$ 165,350	<u>\$ 160,880</u>	\$ 191,898	\$ 31,018	

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

							1	Actual
	Budgeted Amounts					Ove	r (Under)	
		Original Final			Actual		Final Budget	
Revenues:								
Property taxes	\$	110,100	\$	57,357	\$	60,706	\$	3,349
Federal grants		-		-		29,750		29,750
State grants		50,900		50,900		59,663		8,763
Contributions from other units		5,000		5,000		5,000		-
Interest and rents		1,000		1,000		1,078		78
Total revenues		167,000		114,257	-	156,197		41,940
Expenditures:								
Public works		172,530		174,802		122,144		(52,658)
Total expenditures		172,530		174,802		122,144		(52,658)
Excess (deficiency) of revenues over expenditures		(5,530)		(60,545)		34,053		94,598
Fund balance, beginning of year		190,479		190,479		190,479		
Fund balance, end of year	\$	184,949	\$	129,934	\$	224,532	\$	94,598



DETAILED SCHEDULE OF REVENUES

Current taxes:		
Property taxes	\$	528,025
Trailer tax		240
Administration fees		18,694
Payment in lieu of taxes		84,006
		630,965
Licenses and permits:		
Nonbusiness licenses and permits		8,876
CATV franchise fees		6,312
		15,188
State grants:		-,
Liquor license fees		1,643
State revenue sharing - sales tax		309,318
Fire grant		19,136
Police grant		1,452
		331,549
Contribution from other units.		331,347
Contribution from other units: Fire protection fees		14 675
Reimbursement from school district - Cops in Schools		14,675 35,998
Remioursement from school district - Cops in Schools		
		50,673
Charges for services:		
Refuse collection fees		75,030
Cemetery fees		18,051
Police services and reports		466
Fire runs		13,000
Other		1,199
	_	107,746
Fines and forfeitures:		
Other		3,528
		3,528
Interest and rents:		
Interest		338
Rents		3,731
		4,069
Other revenue:		
Sale of fixed assets		4,500
Cemetery lots/perpetual care		5,220
Other		199
		9,919
Total revenues		
		1,153,637
Other Financing Sources:		(20.201
Transfers from other funds		639,381
Total revenues and other financing sources	\$	1,793,018

DETAILED SCHEDULE OF EXPENDITURES

General Government:	
Council:	
Personnel	\$ 5,275
Fringe benefits	406
Supplies	155
Contracted services	539
Telephone	270
Travel/Mileage	417
Dues and memberships	4,428
Conference and travel	300
Printing and publications	5,154
Insurance	18,392
Other	13,595
	48,931
Manager:	
Personnel	69,917
Fringe benefits	13,031
Supplies	589
Telephone	1,158
Travel/Mileage	1,859
Dues and memberships	904
Conference and travel	600
Insurance	595
Equipment rental	149
	88,802
Clerk:	
Personnel	49,111
Fringe benefits	26,787
Supplies	827
Contracted services	658
Telephone	203
Travel/Mileage	420
Dues and memberships	160
Conference and travel	345
Insurance	550
Equipment rental	595
	79,656
Board of Review:	
Personnel	536
Fringe benefits	41
Printing and publications	282
	859

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

General Government (continued):	
Treasurer:	
Personnel	51,500
Fringe benefits	19,710
Supplies	1,903
Contracted services	590
Telephone	203
Travel/Mileage	15
Dues and memberships	35
Conference and travel	109
Insurance	632
Equipment rental	850
	75,547
Assessor:	
Supplies	2,541
Contracted services	11,550
Travel/Mileage	200
Repairs and maintenance	1,270
Equipment rental	360
Equipment remai	
	15,921
Elections:	
Personnel	1,816
Supplies	998
Contracted services	1,036
Travel/Mileage	240
Conference and travel	130
Printing and publications	967
Equipment rental	150
Other	9
	5,346
Buildings and Grounds:	
Personnel	2,421
Fringe benefits	129
Supplies	2,541
Contracted services	6,587
Telephone	777
Printing and publications	539
Insurance	465
Utilities	3,405
Repairs and maintenance	386
Other	38
	17,288

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Cemetery:	
Personnel	59,278
Fringe benefits	33,796
Supplies	4,330
Contracted services	3,671
Telephone	396
Printing and publications	140
Insurance	514
Utilities	4,139
Repairs and maintenance	1,427
Equipment rental	10,480
Other	370
	118,541
Community Center:	
Personnel	1,585
Fringe benefits	62
Supplies	1,007
Contracted services	30
Insurance	380
Utilities	4,204
Repairs and maintenance	1,569
Other	89
	8,926
Total general government	459,817
Public Safety:	
Police:	
Personnel	342,137
Fringe benefits	68,715
Supplies	6,753
Contracted services	1,996
Telephone	5,647
Travel/Mileage	591
Dues & memberships	239
Education & training	990
Printing & publications	1,550
Insurance	12,486
Utilities	3,667
Repairs & maintenance	7,012
Equipment rental	505
Other	1,365
	453,653

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Public Safety, (continued):	
Fire:	
Personnel	20,502
Fringe benefits	1,039
Supplies	9,801
Telephone	561
Travel/Mileage	420
Dues & memberships	542
Education & training	8,529
Insurance	10,399
Utilities	8,082
Repairs & maintenance	105
Equipment rental	75
	60,055
Protective Inspection & Regulation:	
Personnel	4,993
Fringe benefits	554
Supplies	364
Contracted services	12,360
Dues & memberships	20
Education & training	163
Printing & publications	1,298
Equipment rental	355
	20,107
Other Public Safety:	
Personnel	2,714
Fringe benefits	77
Supplies	1,113
Dues & memberships	256
Education & training	23
Equipment rental	197
1 1	4,380
Total public safety	538,195

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

General Government (continued):	
Public Works:	
Department of Public Works:	
Personnel	60,533
Fringe benefits	38,807
Supplies	2,303
Contracted services	800
Telephone	1,320
Printing and publications	335
Insurance	1,411
Utilities	12,006
Repairs and maintenance	1,054
Equipment rental	2,595
Other	215
	121,379
Sidewalks:	
Personnel	2,613
Supplies	3,948
Contracted services	6,860
Equipment rental	1,659
Equipment rental	
	15,080
Drains - Public Benefit, at Large:	
Personnel	4,448
Supplies	1,273
Equipment rental	1,579
	7,300
Street Lighting:	
Personnel	10,861
Supplies	14,081
Utilities	45,615
Equipment rental	2,121
-1·-f	72,678
Sanitation:	06115
Personnel	26,115
Supplies	3,024
Contracted services	1,049
Printing and publications	73,086
Equipment rental	39,127
	142,401
Total public works	358,838

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

General Government (continued):	
Health and Welfare:	
Ambulance:	
Contracted services	17,269
Total health and welfare	17,269
Recreation and Culture:	
Recreation/Parks:	
Personnel	12,121
Fringes	426
Supplies	3,192
Contracted services	3,046
Printing and publications	91
Insurance	880
Utilities	2,024
Equipment rental	5,995
Other	2,724
	30,499
Historical Museum	
Personnel	2,621
Repairs and maintenance	68
Utilities	519
Equipment rental	188
Equipment remai	3,396
Total recreation and culture	33,895
Capital Outlay:	
General government	75,900
Public safety	52,657
Recreation and culture	5,000
	133,557
	155,557
Debt Service:	
Principal	20,000
Interest and fees	6,265
	26,265
	4 7 5 7 0 2 5
Total expenditures	1,567,836
Other Financing Uses:	
Transfers to other funds	82,418
	82,418
Total expenditures and other financing uses	\$ 1,650,254

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2005

Special	
Revenue	
Fund	

	-	Fund Permanent Funds					Total			
	Library Fund		Gingersnap Cemetery Trust Care		Perpetual	Library Trust		Nonmajor Governmental Funds		
Assets:										
Cash and cash equivalents	\$	92,648	\$	-	\$	200,071	\$	7,342	\$	300,061
Investments		-		12,845		-		433,026		445,871
Due from other governmental units		27,230		-		-		-		27,230
Due from other funds		-		-		120		-		120
Prepaid expenditures		670							_	670
Total assets	\$	120,548	\$	12,845	\$	200,191	\$	440,368	\$	773,952
Liabilities and Fund Balances:										
Liabilities:										
Accounts payable	\$	2,727	\$	-	\$	-	\$	-	\$	2,727
Accrued expenses		1,494		-		-		-		1,494
Due to other funds		12,000							_	12,000
Total liabilities		16,221								16,221
Fund balances:										
Reserved for:										
Prepaid expenditures		670		-		-		-		670
Nonexpendable principal		-		12,845		200,191		440,368		653,404
Unreserved:										
Special revenue funds		103,657		-		-				103,657
Total fund balances		104,327		12,845		200,191	_	440,368		757,731
Total liabilities and										
fund balances	\$	120,548	\$	12,845	\$	200,191	\$	440,368	\$	773,952

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Special	
Revenue	

		Fund	Permanent Funds							Total	
		Library Fund		ngersnap Trust		Cemetery Perpetual Care		Library Trust		lonmajor vernmental Funds	
Revenues:											
State grants	\$	5,251	\$	-	\$	-	\$	-	\$	5,251	
Contributions from other units		51,652		-		=		-		51,652	
Charges for services		4,796		-		-		-		4,796	
Fines and forfeits		2,630		-		-		-		2,630	
Interest and rents		308		449		17,564		10,602		28,923	
Other revenue		778				3,480	_			4,258	
Total revenues	_	65,415		449	_	21,044		10,602		97,510	
Expenditures:											
Recreation and culture		152,560			_		_	4,172		156,732	
Total expenditures		152,560					_	4,172		156,732	
Excess (deficiency) of											
revenues over expenditures		(87,145)		449		21,044	_	6,430		(59,222)	
Other financing sources (uses):											
Transfers in		107,418		-		-		-		107,418	
Transfers out						(20,000)		(25,000)		(45,000)	
Total other financing											
sources (uses)		107,418				(20,000)		(25,000)		62,418	
Net change in fund balance		20,273		449		1,044		(18,570)		3,196	
Fund balance, beginning of year	_	84,054		12,396		199,147		458,938		754,535	
Fund balance, end of year	\$	104,327	\$	12,845	\$	200,191	\$	440,368	\$	757,731	

FIDUCIARY FUNDS – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	Jul	y 1, 2004	 Additions	<u>r</u>	Deductions	<u>Jun</u>	e 30, 2005
Current Tax Collection Fund	_						
Assets: Cash and cash equivalents	\$	79,399	\$ 1,963,888	\$	2,042,208	\$	1,079
Liabilities: Due to other governmental units Due to other funds and component units	\$	79,399 -	\$ 917,389 1,046,499	\$	996,788 1,045,420	\$	- 1,079
Total liabilities	\$	79,399	\$ 1,963,888	\$	2,042,208	\$	1,079

GOVERNMENTAL FUND DEBT

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2005

2001 NOTE PAYABLE - FIRE TRUCK

Date of Note - July 18, 2001 Amount of Note - \$100,000

Interest Rate - 5.1%

Fiscal Year Ended June 30,	Interest November 1	Principal November 1	Total Requirements		
2006	\$ 1,044	\$ 20,000	\$ 21,044		
	\$ 1,044	\$ 20,000	\$ 21,044		

ENTERPRISE FUNDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2005

1991 SEWAGE DISPOSAL SYSTEM REVENUE BONDS:

Date of Issue - January 23, 1992

Amount of Issue - \$950,000

Interest Rate - 5.75%

Fiscal

Year Ended June 30,	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2006	\$ 25,415	\$ 25,041	\$ 13,000	\$ 63,456
2007	25,041	24,668	13,000	62,709
2008	24,668	24,265	14,000	62,933
2009	24,265	23,834	15,000	63,099
2010	23,834	23,374	16,000	63,208
2011	23,374	22,856	18,000	64,230
2012	22,856	22,281	20,000	65,137
2013	22,281	21,678	21,000	64,959
2014	21,678	21,016	23,000	65,694
2015	21,016	20,326	24,000	65,342
2016	20,326	19,608	25,000	64,934
2017	19,608	18,831	27,000	65,439
2018	18,831	18,026	28,000	64,857
2019	18,026	17,164	30,000	65,190
2020	17,164	16,244	32,000	65,408
2021	16,244	15,266	34,000	65,510
2022	15,266	14,231	36,000	65,497
2023	14,231	13,139	38,000	65,370
2024	13,139	11,989	40,000	65,128
2025	11,989	10,781	42,000	64,770
2026	10,781	9,488	45,000	65,269
2027	9,488	8,108	48,000	65,596
2028	8,108	6,670	50,000	64,778
2029	6,670	5,146	53,000	64,816
2030	5,146	3,536	56,000	64,682
2031	3,536	1,811	60,000	65,347
2032	1,811	-	63,000	64,811
	\$ 444,792	\$ 419,377	\$ 884,000	\$ 1,748,169

ENTERPRISE FUNDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2005

1994 SEWAGE DISPOSAL SYSTEM REVENUE BONDS:

Date of Issue - May 13, 1994

Amount of Issue - \$200,000

Interest Rate - 5.00%

Fiscal Year Ended June 30,			iterest ember 1	In M	Principal May 1			Total Requirements		
2006		\$	4,550	\$	4,550	\$	3,000		\$	12,100
2007			4,475		4,475		3,000			11,950
2008			4,400		4,400		3,000			11,800
2009			4,325		4,325		3,000			11,650
2010			4,250		4,250		4,000			12,500
2011			4,150		4,150		4,000			12,300
2012			4,050		4,050		4,000			12,100
2013			3,950		3,950		4,000			11,900
2014			3,850		3,850		4,000			11,700
2015			3,750		3,750		5,000			12,500
2016			3,625		3,625		5,000			12,250
2017			3,500		3,500		5,000			12,000
2018			3,375		3,375		5,000			11,750
2019			3,250		3,250		6,000			12,500
2020			3,100		3,100		6,000			12,200
2021			2,950		2,950		6,000			11,900
2022			2,800		2,800		7,000			12,600
2023			2,625		2,625		7,000			12,250
2024			2,450		2,450		7,000			11,900
2025			2,275		2,275		8,000			12,550
2026			2,075		2,075		8,000			12,150
2027			1,875		1,875		8,000			11,750
2028			1,675		1,675		9,000			12,350
2029			1,450		1,450		9,000			11,900
2030			1,225		1,225		9,000			11,450
2031			1,000		1,000		10,000			12,000
2032			750		750		10,000			11,500
2033			500		500		10,000			11,000
2034			250		250		10,000			10,500
		\$	82,500	\$	82,500	\$	182,000		\$	347,000

COMPONENT UNIT

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2005

PROMISSORY NOTE - BUILDING

Date of Issue – June 3, 2004

Amount of Note - \$324,500

Interest Rate - 2.86%

Fiscal Year Ended June 30,	Interest June 3			Total Requirements		
2006 2007 2008 2009	\$ 7,630 5,804 3,924 1,990	\$	63,020 64,847 66,727 68,661	\$	70,650 70,651 70,651 70,651	
	\$ 19,348	\$	263,255	\$	282,603	



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(989) 791-1555 Fax (989) 791-1992

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council City of Croswell, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Croswell, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City of Croswell, Michigan's basic financial statements and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Croswell, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Croswell, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Berthiaume & Company Certified Public Accountants

Borchaime & Co.

October 19, 2005



60 Harrow Lane Saginaw, Michigan 48603

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MANAGEMENT LETTER

To the City Council City of Croswell, Michigan

We have completed our audit of the financial statements of the City of Croswell for the year ended June 30, 2005, and have issued our report thereon dated October 19, 2005. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The City's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Croswell taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the City management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company Certified Public Accountants

Berthaime & Co.

October 19, 2005